

Message Text

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ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-08 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
FEA-01 PA-01 PRS-01 ISO-00 /147 W
-----291345Z 110865 /45

R 291301Z JAN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 9291
INFO ALL EC CAPITALS 0325
USMISSION GENEVA
USMISSION EC BRUSSELS
USMISSION NATO
AMEMBASSY BERN
AMEMBASSY LISBON
AMEMBASSY MADRID
AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY MUSCAT
AMEMBASSY QUITO
AMEMBASSY TEHRAN
USINT BAGHDAD

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 02956

E.O. 11652:GDS
TAGS: ENRG, FR, OPEC
SUBJECT: FRENCH VIEWS ON TWO-TIER PRICING AND BARRE
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PLAN OIL EXPENDITURE CEILING FOR 1977

REF: (A) STATE 015338; (B) 1976 PARIS 37946;
(C) PARIS 00094

1. SUMMARY: JANUARY 27, DIRECTOR GOF'S PRINCIPAL
PETROLEUM PLANNING AND REGULATORY BUREAU OUTLINED

(A) FRENCH THINKING ON PROBLEMS PRESENTED BY OPEC TWO-TIERED PRICE SYSTEM, AND (B) ASSUMPTIONS UPON WHICH GOVERNMENT WAS BASING ITS STRATEGY FOR ACHIEVING 1977 OIL IMPORT BILL OF NO MORE THAN 55 BILLION FRANCS.
END SUMMARY.

2. ON JANUARY 27, GERARD PIKETTY, WHO HEADS MINISTRY OF INDUSTRY AND RESEARCH'S DIRECTION DES CARBURANTS (DICA) DISCUSSED CURRENT GOV PETROLEUM PLANNING WITH FEA ASSISTANT ADMINISTRATOR CLEMENT B. MALIN AND EMBASSY ECONOMIC OFFICER. DISCUSSION OPENED WITH PIKETTY RESPONDING TO MALIN'S REQUEST FOR FRENCH ANALYSIS OF OPEC TWO-TIER PRICE SYSTEM. ALTHOUGH FRANCE SHOULD TAKE SOME COMFORT FROM FACT THAT PRESENT TRADE PATTERNS HAVE IT RECEIVING ABOUT 45 PERCENT OF ITS TOTAL OIL IMPORTS FROM PRICE MODERATES SAUDI ARABIA AND VAE, PIKETTY SAID OVERALL PROGNOSIS OF TWO-TIER SYSTEM POINTED UP SEVERAL MAJOR PROBLEMS FOR FRENCH OIL IMPORT POLICY. PRINCIPAL AMONG THESE ARE:
(A) WITH COMPETITIVE DEMAND FOR LESS EXPENSIVE OIL NATURALLY SOARING, FRANCE COULD LOSE MAJOR PART OF ITS SAUDI AND UAE SUPPLY IF THESE COUNTRIES' PRODUCTION INCREASES WERE INADEQUATE. CONVERSELY, HE NOTED, EVEN IF NEW SAUDI PRODUCTION PROGRAM COMES ON STRONG, FRANCE WILL HAVE TO SCRAMBLE TO GET INCREASED SHARE IT HOPES TO OBTAIN; (B) FRANCE'S DOMESTIC MARKET WILL DEMONSTRATE SOME IMBALANCE AS INTERNATIONAL ONE. HOW SHOULD COMPETITIVE POSITION
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BETWEEN COMPANIES WITH GREATER OR LESSER ACCESS TO LOWER PRICED OIL BE EQUILIBRATED? GOF HAD NO RPT NO ANSWER TO THIS PROBLEM YET, PIKETTY SAID, BUT ONE DECISION HAD BEEN MADE, VIZ: "CAISSE DE COMPENSATION" SCHEME (PARA 5, REF B) WAS GOING TO BE REJECTED ON GROUNDS THAT ANY COMPENSATION DUTIES LEVIED ON THOSE COMPANIES IN BEST POSITION TO SUPPLY CHEAPER OIL TO FRANCE (I.E. AMAMCO PARTNERS) WOULD ENCOURAGE DIVERSION AT THESE SUPPLIES TO OTHER NATIONAL MARKETS WHERE THEY WERE NOT TAXES; AND (C) NEW TWO-TIER SYSTEM MAY SOON FORCE GOF TO MAKE ANOTHER ROUND OF POLITICALLY SENSITIVE RETAIL PRICE CHANGES. UNDER PRESENT TWO-TIER SYSTEM, HE CONTINUED, IT WAS VERY DIFFICULT TO PROJECT IMPORT COSTS AND TO GUAGE RETAIL PRICES MOST APPROPRIATE TO MEET PLANNED CONSUMPTION AND EXPENDITURE CEILINGS. A DECISION ON NEW GASOLINE AND HEATING OIL PRICES WOULD, HOWEVER, HAVE TO BE MADE "WITHIN THE NEXT FEW WEEKS," JUST AS SOON AS FIRST MAJOR QUANTITIES OF TWO-TIER OIL START

HITTING FRENCH MARKET.

3. TURNING TO GOF STRATEGY FOR KEEPING 1977 OIL IMPORT
BILL AT OR BELOW BARRE PLAN LIMIT OF 55 BILLION,
PIKETTY MAINTAINED 1976 FIGURES SHOW THAT FRANCE WAS
JUST ABLE TO MEET 51 BILLION FRANC CEILING FOR THAT
YEAR, (N.B. INDUSTRY SOURCES TELL US 51 BILLION FRANCS
CLAIM SHOULD BE TAKEN WITH GRAIN OF SALT. AMOUNT SEEMS
TO HAVE BEEN MASSAGED DOWNWARD THROUGH CONSIDERABLE

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C O N F I D E N T I A L SECTION 02 OF 02 PARIS 02956

DELAY IN OFFLOADINGS AND REGISTRATION OF IMPORTS
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FROM LAST HALF OF DECEMBER TO FIRST HALF OF JANUARY.)
THIS YEAR, PIKETTY SAID, GOF WAS HYPOTHESIZING THAT
55 BILLION FRANCS IMPORT BILL WOULD BE POSSIBLE GIVEN:
(A) TOTAL PETROLEUM CONSUMPTION REDUCTION OF 1 PERCENT
FROM 1976 (76 FIGURE NOW ESTIMATED AT 104 MILLION TONS)
-- A TARGET WHICH, PIKETTY ADMITTED, OIL COMPANY
OFFICIALS THOUGHT SEVERAL POINTS TOO LOW; (B) AN
OVERALL INCREASE IN PRICE OF OIL IMPORTS OF 7.5 PERCENT;
(C) A FRANC WHICH WOULD "STAY FIRM" IN INTERNATIONAL
MONEY MARKETS (THIS USUALLY MEANS 4.8 TO ONE US
DOLLAR OR STRONGER); AND (D) GOOD WEATHER. MALIN
INQUIRED ABOUT ADDITIONAL CONSUMPTION WHICH MIGHT BE
NECESSITATED BY FRANCE'S INDUSTRIAL BASE ATTEMPTING
TO MOVE OUT OF RECESSION DURING 1977. PIKETTY
ANSWERED BY OUTLINING MEASURES GOF SAW AS PROVIDING
OPPORTUNITIES TO ORCHESTRATE DOMESTIC CONSUMPTION;
(A) FIRM CEILINGS ON USE OF HOME HEATING AND SOME
HEAVIER DISTILLATE OILS; (B) CONTINUED INCREASES IN
USE OF COAL FOR ELECTRICITY GENERATION, AND (C)
COOPERATION OF FRANCE'S MOTORISTS IN PROGRAM OF
VOLUNTARY RESTRAINT.
GAMMON

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Message Attributes

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